GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

STARRED QUESTION NO:516
ANSWERED ON:25.04.2003
SPECIAL HOME LOAN SCHEME
TUFANI SAROJ

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

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(a) whether the State Bank of India has formulated any special scheme for disbursement of home loans;

(b) if so, the details thereof;

(c) whether the SBI has decided to set up any special branches for this purpose; and

(d) if so, the number of special branches being opened by the SBI, State-wise ?

Answer

MINISTER OF FINANCE & COMPANY AFFAIRS (SHRI JASWANT SINGH)

(a) & (b): Yes, Sir. The details of the scheme are at Annexure.

(c) & (d): Banks have been permitted by Reserve Bank of India to designate one of their specific branches in each district for the purpose of housing finance. The housing finance branch so designated could also undertake other normal banking functions. At present 2 special housing finance branches of SBI are already in existence at Hyderabad & Chennai. It is proposed to open more specialized housing finance branches in the current year.

STATEMENT REFERRED TO IN REPLY TO PARTS (A), (B), (C) & (D) OF THE LOK SABHA STARRED QUESTION NO. +51 FOR 25TH APRIL, 2003 REGARDING SPECIAL HOME LOAN SCHEME TABLED BY SHRI TUFANI SAROJ.

(a) & (b): Yes, Sir. The details of the scheme are at Annexure.

(c) & (d): Banks have been permitted by Reserve Bank of India to designate oneof their specific branches in each district for the purpose of housing finance. The housing finance branch so designated could also undertake other normal banking functions. At present 2 special housing finance branches of SBI are already in existence at Hyderabad & Chennai. It is proposed to open more specialized housing finance branches in the current year.

Annexure

The details of criteria under SBI home loan scheme (direct finance to individuals)

(i) Eligibility: Any individual(s) over 21 years of age with a steady source of income including persons engaged in agriculture and allied activities.

(ii) Purpose: To purchase or construct a new house/flat, purchase in existing (old) house/flat or extend an existing house, to repair or renovate an existing house/flat, to purchase a plot of land for purpose of construction of a dwelling unit & for furnishing/consumer durables as a part of the project cost.

(iii) Loan Amount: The loan amount is to be determined on the basis of repayment capacity taking into account income, age, assets and liabilities. The maximum loan amount is subject to the following:

The age of the borrowers over 21 years to 45 years of age with an independent assured income. 48 times the net monthly income of the applicant in case of salaried persons. For Agriculturist, the annual net income should be arrived at by branches based on the nature of their activity (i.e. farming, dairy, poultry, orchards) land holding, cropping pattern, yield etc. and average level of income derived therefrom in the area.

Age over 45 year: For borrower over 45 year of age (where all borrowers with an independent assured income are over 45 year of age) the loan amount is to be restricted to 36 times the net monthly income or 3 times the net annual income.

Income of Spouse: Income of the spouse can be considered where the property jointly held with the spouse and the spouse is a co-borrower, or the property is held in single name and the spouse stands as a guarantor.

Other Income: Regular income from all sources can be considered to arrive at total eligible loan amount provided the sanctioning

authority is satisfied about the proof of the income.

Expected Rental: The expected rental less taxes, cess etc. in the case of house/flat being purchase, which is proposed to be rented out may be added for computation of the eligibility ceiling.

Loans for plot alone/for repairs: Where land is being purchased or where the loan is for repair or renovation the maximum loan amount should be normally limited to Rs. 10 lakhs. Loans exceeding this amount require prior administrative clearance.For furnishing & consumer durables: Where a check off facility or additional security or third party guarantee good for the amount is available, cost of furnishings and consumer durables may be included in the project cost up to a maximum extent of 10% of the project cost or a maximum of Rs. 3 lakhs whichever is low. No administrative clearance is required for loan up to Rs. 1 crore for purchase of a house/flat (new or old) or construction of a house/flat.

Houses/flats over 15 years old: loan proposals for purchase of house/flats which are more than 15 years old require administrative clearance.

Loans Over Rs. 1 crore:For loans above Rs. 1 crore, prior administrative clearance is required to be obtained from NBG Head Quarters. Loans above Rs. 1 crore cannot be offered at a fixed rate of interest but can be made available only on a floating rate of interest linked to SBMTLR.

(iv) Margin Money: 30% in case of purchase of land, 15% of the cost for purchase of new house/flat & 20% of the cost for purchase of old house/flat and in case of repair/renovation.

(v) Type of loan: Term loan.

(vi) Security requirement: Mortgage of property. Other tangible security when mortgage is not possible (e.g. during the construction period).

(vii) Repayment Period: Maximum 20 year for applicant up to 45 year of age.

Maximum of 15 years for applicant over 45 year of age.

(viii) Moratorium Period: Earnest monthly income will commence from the month following the month when full disbursement has been made. Where loan sought for construction of a new dwelling unit or where a flat/house is purchased in installments from a Government/Public Agency/reputed builders/ society, a moratorium period or repayment holiday, at the request of the borrower, may be permitted till 2 months after completion of construction or 18 months from of first installment of the loan, whichever may be earlier. The moratorium period is to be included in the maximum repayment period of 15 year or 20 years as admissible.

(ix) Rate of Interest: As prescribed from time to time. Both fixed rate loans andfloating rate loans may be offered. Whenever the borrower opts for a floating rate loan & the rate of interest is revised, this should be advised to the borrower(s). Individual loans for over Rs. 1 crore, however, may be offered only as floating rate loans.

(x) Processing Charge: Up to Rs. 25,000/- Nil. Above Rs. 25,000/- 0.5% of loan amount.

(xi) Insurance Cover: The dwelling unit purchase/constructed should be insuredagainst the risk of fire/riots/earthquake/lightening, floods etc. in the joint names of the borrower and the bank for the full market value of property or outstanding loan amount whichever is higher.